



Vendor News



Food Instrument Redemption changes

Effective
October 1, 2006

Recent federal law and regulation requires all states to ensure the WIC Program pays all vendors competitive prices for supplemental foods. The primary way to accomplish this is to establish peer groups and to reimburse vendors based on the prices charged for WIC foods by the vendors in their particular peer group. During the past several years, we have been working with WIC authorized vendors and your trade associations to revise our system for determining maximum reimbursement rates by establishing vendor peer groups. This work has helped to prepare us for implementing these new federal requirements.

The benefits of implementing peer groups are:

- payments to WIC vendors reflect competitive market prices and will change as the market changes; and
- by ensuring WIC pays competitive prices for food, the program can serve more eligible women, infants, and children.

1

August 2006

See our website at
www.wicworks.ca.gov for more
information and updates about these
important changes.

In This Issue

- | | |
|---|---|
| ◆ Peer Group Methodology | 2 |
| ◆ Determining Maximum Reimbursement Rates | 6 |
| ◆ Any Authorized Vendor | 7 |
| ◆ New WIC Logo | 8 |
| ◆ August Vendor Forums | 8 |

WIC



What These Changes Mean to You as a WIC Vendor

2

August 2006

By October 1, 2006, we are expected to:

- establish separate reimbursement rates for groups of vendors who have similar characteristics that predict prices (peer groups);
- identify those vendors who serve primarily WIC participants (above-50-percent vendor) and set reimbursement rates for them to ensure they are cost-neutral to the program; and
- authorize only vendors with competitive prices.

These are important changes. The next part of this newsletter describes how we are identifying vendors, how we are setting up peer groups, and how vendors will be reimbursed for the food instruments they redeem. The September newsletter will detail our plans for ensuring that our vendors offer competitive prices both at the time of authorization and during the term of their vendor agreement.

Peer Group Methodology

Designing effective peer groups involves identifying characteristics that differentiate vendors with similar prices. We have determined that California's peer groups will be based on three characteristics: vendor type, geography/location of the store, and the number of registers in the store. The following sections provide more background on each of these characteristics.

Vendor Type

There are two types of vendors: Vendors who do not meet the federal definition of an above-50-percent vendor (referred to as "regular vendors") and vendors who do meet the definition of an above-50-percent vendor. The federal law and regulations require us to separate vendors by these two types.

FAQ

What exactly is an above-50-percent vendor?

An above-50-percent vendor is one who derives more than 50 percent of its annual food sales revenue from WIC food instruments.

Vendor News

How Do We Determine Vendor Type?

To determine which authorized vendors are above-50-percent vendors, we first compare each authorized vendor's food instrument redemption amount to its Food Stamp Program (FSP) redemption amount for the same time period. During this assessment, if the FSP redemption amount is greater than the WIC redemption, the vendor is determined to be a regular vendor. If the FSP redemption is less than WIC redemption, the vendor is determined to be a potential above-50-percent vendor.

To date, we have notified all vendors determined to be an above-50-percent vendor. Since determining the correct vendor type is critical to our peer group structure, above-50-percent vendors have an opportunity to provide additional documents to us for our review. Through this process, some vendors may demonstrate they are not above-50-percent vendors.

Geography

Geography must be considered in setting up peer groups to meet federal requirements. As a result, we have separated the state into three geographic areas that are based on groups of counties. So, one of the factors in determining which peer group a regular vendor will be assigned to will be based on the county their particular store is located in.

Only regular vendors will be grouped by geography. The above-50-percent vendors are in a statewide geographic group to meet the federal requirement to ensure they do not cost the program more than if participants shopped at regular vendors.

Number of Registers

The third characteristic we are using to determine peer groups is the number of registers in a regular vendor's store. Through a consultant, we did an extensive study analyzing food instrument redemption data, vendor shelf price data, and vendor characteristics in order to determine what characteristic might be a strong indicator of store price. The main vendor characteristics considered included square footage of the store, type of ownership, total WIC food sales, total food sales, and the number of registers.

The analysis identified that the number of registers in a store is associated strongly with the prices of supplemental foods. We have shared this analysis and these findings in a number of meetings with vendors over the years.

Only regular vendors are grouped by the number of registers in their store. The number of registers in above-50-percent vendors has not been found to be correlated to the prices they charge for supplemental foods.

3

August 2006



WIC



What Do the Peer Groups Look Like?

4

August 2006

Peer Group 1 will include only vendors who are above-50-percent vendors. The other 15 peer groups will include only regular vendors. These 15 peer groups consist of three geographic areas with five cash register groups in each. We're calling these groups "Geographic Area 1," "Geographic Area 2," and "Geographic Area 3" (see the table to the right).

If you look at the table, you can see which peer group your store probably will fit into. If your store is an above-50-percent type, it will be in Peer Group 1. If your store is a regular type, use the legend to determine what geographic area your store is in. Following your geographic area and number of registers across the table, you will find your peer group.

As shown in the table, 16 peer groups are derived from the combinations of vendor type, geography, and number of cash registers.

FAQ

I am a regular vendor. When will I know what my peer group assignment is?

We will notify you of the peer group for each of your vendor locations by mail in early September 2006.

Vendor News

California WIC Vendor Peer Groups

Vendor Store Type	Geographic Area	Number of Registers	Peer Group
Above-50-Percent	Statewide	Not Applicable	1
Regular	1	1-2	2
Regular	1	3-4	3
Regular	1	5-6	4
Regular	1	7-9	5
Regular	1	10+	6
Regular	2	1-2	7
Regular	2	3-4	8
Regular	2	5-6	9
Regular	2	7-9	10
Regular	2	10+	11
Regular	3	1-2	12
Regular	3	3-4	13
Regular	3	5-6	14
Regular	3	7-9	15
Regular	3	10+	16

Legend

Geographic Area 1: Imperial, Inyo, Kern, Los Angeles, Mono, Orange, Riverside, San Bernardino, San Luis Obispo, Santa Barbara, & Ventura counties

Geographic Area 2: Alameda, Calaveras, Contra Costa, Del Norte, Humboldt, Lake, Marin, Mendocino, Merced, Monterey, Napa, San Benito, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, Stanislaus, Trinity, & Tuolumne counties

Geographic Area 3: Alpine, Amador, Butte, Colusa, El Dorado, Fresno, Glenn, Kings, Lassen, Madera, Mariposa, Modoc, Nevada, Placer, Plumas, Sacramento, San Diego, Shasta, Sierra, Siskiyou, Sutter, Tehama, Tulare, Yolo, & Yuba counties

Determining Maximum Reimbursement Rates

Regular Vendors

The maximum reimbursement you will receive under peer groups will be based on retail market prices rather than a statewide maximum that we currently use. The Maximum Allowable Department Reimbursement (MADR) rate for regular vendors will be the average redemption amount by food instrument type (such as cereal) within a peer group plus a tolerance amount to account for variation of product availability, participant selection, and shelf prices.

Above-50-Percent Vendors

MADR rates for above-50-percent vendors are based on the average redemption price for all food instruments of that food type redeemed at all regular vendors statewide. This is necessary to meet the federal mandate of cost neutrality for these vendors. We implemented this MADR rate on June 1, 2006.

July 2006 Issue Correction

You may access the July 2006 issue on our WIC website at www.wicworks.ca.gov under the subject of ANY AUTHORIZED VENDOR (AAV) PROJECT.

Page 1, website address for the Vendor WIC Information eXchange (VWIX) is vwix.dhs.ca.gov.

Do not include **www.** at the front. Other references to this website within the July 2006 issue are accurate.

How Often Will the MADR Rate Change?

MADR rates for each of the 16 vendor peer groups will be evaluated every two weeks using redemption data for vendors in that peer group for the preceding 12 weeks. Therefore, the MADR rates **may** change every two weeks.

Removing MADR Rates from Food Instruments

Starting October 1, 2006, we will no longer print the MADR rates on food instruments. Instead, we will print pound symbols (####) in place of each MADR rate. This means neither your cashiers nor participants will be able to see printed MADR rates when transacting food instruments. To help avoid confusion at the checkstand, please be sure you thoroughly review the upcoming changes with your store personnel. Please note that some food instruments will continue to have printed MADR rates through December 2006.



Accessing Your MADR Rates

In our September issue of *WIC Vendor News* we will describe how to access your MADR rates. These rates will be posted on our VWIX website.

Vendor News

Any Authorized Vendor

Please review the July 2006 issue of *WIC Vendor News*, which features Any Authorized Vendor (AAV) information.

Key Points to Know About AAV

- Starting October 1, 2006, WIC food instruments will no longer be printed to specify the vendor where participants must redeem their food instruments. Food instruments will be payable to "WIC Authorized Vendor" to allow WIC participants to redeem them at an authorized vendor of their choice. Please note that some food instruments will continue to have the store name through December 2006.
- Vendors must provide WIC with the ten-digit MICR-line serial number from each food instrument they redeem. Without receiving the serial number information, WIC will not be able to pay you.
- Vendor readiness practice time is now. Start practicing your submission with actual food instrument serial numbers that you accept at your store now. If you have questions about this readiness practice, please call Sharon Lindner at 916-928-8557 or email Sharon at SLindner@dhs.ca.gov.

Did you know?

On September 1, 2006, all vendors should be submitting the serial numbers daily for food instruments redeemed in their stores. We want to make sure we can receive all your submissions correctly for a smooth transition on October 1, 2006.



VWIX User IDs

As explained in the July 2006 *WIC Vendor News*, to use the submission options you must know your user ID and password. Two user IDs and passwords were provided via certified letter sent by WIC on July 7, 2006, to each of the vendor contract owners. If you want additional user IDs, complete a request form and return it to WIC (instructions are on the form). After September 1, 2006, the *AAV Vendor Logon ID Request Form* may be obtained by calling WIC Technical Support at 800-224-7472 or obtained from our WIC website at www.wicworks.ca.gov.

7

August 2006

FAQ

If I submit my food instrument serial numbers by telephone, website, or electronic submission, do I still need to deposit the food instruments in my bank?

Yes. You still need to deposit the food instruments into your bank to get paid.



August Vendor Forums

Vendor forums have been scheduled for you to meet with WIC staff to learn more about the changes for October 1, 2006. At each location, we will host two sessions: 10:30 A.M.-Noon; 1:30 P.M.-3:00 P.M. The forum will be most useful to business owners and employees who are involved in buying and setting prices for food.

Preregistration is not required, but we encourage you to limit the number of attendees from your business to two or three because our meeting rooms have limited space. Check our website (www.wicworks.ca.gov) for any updates on these forums.

Sacramento/August 25

WIC Branch Office/Tigris-Euphrates Rooms
3901 Lennane Drive
Sacramento 95834

Fresno/August 29

Department of General Services
Building Property Mgmt/Fresno State Bldg
2550 Mariposa Mall
Fresno 93721

SoCal/August 31

PHFE WIC Administration Office/Green Room
12781 Schabaraum Avenue
Irwindale 91706

August 2006

New WIC Logo

The California WIC Program is happy to share the new WIC logo with you. It emphasizes the key role of the WIC family and how they can grow healthy with WIC's support and services, including the foods they receive from your stores.

8

The new WIC logo will be launched October 1, 2006, when participants will begin redeeming food instruments at any WIC authorized vendor. Participants will be told to look for the WIC logo to know if a store accepts WIC. WIC will provide vendors with window decals and posters with the new logo to post in your stores. The purpose of the decals and posters is to alert WIC participants to stores that are WIC authorized and that accept WIC food instruments. You will receive ordering information for the decals and posters in late August 2006.

Where do participants go to shop when the store name is no longer on the food instrument? They may continue to go to their favorite store or they may use some of their WIC food instruments at a store closer to where they work. Or they may be visiting friends or family in another area of the state and need to get some of their WIC foods in an unfamiliar area. Displaying our new logo is key to letting participants know your store is WIC authorized.

Coming in the September Issue of *WIC Vendor News*

- ◆ Vendor peer group assignments
- ◆ Instructions for accessing MADR rates by peer group and food item
- ◆ Making sure vendors offer competitive prices for WIC
- ◆ Transitioning to Peer Group & AAV – the first several months